

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 SP-02 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 GSA-01 FEA-01 INT-05 L-02 H-02 DODE-00

PA-01 USIA-06 PRS-01 /111 R

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LA PAZ

AMEMBASSY LONDON

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E.O. 11652:N/A

TAGS: EMIN, ETRD

SUBJECT:TIN: DISPOSAL LEGISLATION

REF: (A) STATE 68766; (B) LA PAZ 2205 (NOTAL); (C) KUALA
LUMPUR 1608 (NOTAL)

1. DEPARTMENT SEES NO CONFLICT BETWEEN SECRETARY'S
HOUSTON SPEECH AND ADMINISTRATION'S SUPPORT OF STOCKPILE
DISPOSAL AUTHORITY LEGISLATION CURRENTLYBEFORETHE
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CONGRESS. SECRETARY'S HOUSTON SPEECH REFERRED TO MEETING

ECONOMIC NEEDS OF BOTH CONSUMERS AND PRODUCERS. WE BELIEVE THAT HAVING SUFFICIENT STOCKPILE DISPOSAL AUTHORITY IN HAND ENABLES US TO HELP MEET THESE NEEDS.

2. IN CASE OF TIN, AS REF A NOTED, GSA CURRENTLY HAS ONLY 6,612 LONG TONS (LT) OF TIN AVAILABLE FOR DISPOSAL UNDER EXISTING AUTHORITY. ITC STATISTICAL BULLETIN INDICATES THAT SINCE 1969, WORLD PRODUCTION OF PRIMARY TIN METAL HAS NOT KEPT PACE WITH CONSUMPTION OF PRIMARY TIN METAL (BOTH SETS OF DATA EXCLUDE PRC, USSR AND OTHER COMMUNIST NATIONS). DURING 1969-72, THIS PRODUCTION-CONSUMPTION GAP DID NOT EXCEED 3,300 METRIC TONS (MT) IN ANY SINGLE YEAR. HOWEVER, IN 1973 CONSUMPTION OUTPACED PRODUCTION BY 27,500 MT, AND IN FIRST NINE MONTHS OF 1974 BY 20,500 MT.

3. THIS PRODUCTION SHORTFALL WAS A KEY FACTOR IN PUSHING (NEW YORK) TIN PRICE TO RECORD HIGH IN EXCESS OF 4.70 DOLS PER POUND IN JUNE 1974. EFFECT OF SHORTFALL ON TIN PRICES ALSO REFLECTED IN FACT THAT FOR ELEVEN CONSECUTIVE MONTHS BEGINNING NOVEMBER 1973, AVERAGE MONTHLY TIN PRICE ON PENANG MARKET WAS CONSIDERABLY OVER ITC CEILING PRICE. DURING 1973, ITC BUFFER STOCK SOLD ALMOST 11,500 MT TIN, VIRTUALLY DEPLETING BUFFER STOCK, IN EFFORT DEFEND ITC CEILING PRICE. GSA TIN SALES OF ALMOST 19,300 LT DURING JUNE-DECEMBER 1973 IN EFFECT ASSISTED BUFFER STOCK EFFORTS AT MODERATING SPIRALING TIN PRICES, AND WITH VIRTUAL DEPLETION OF BUFFER STOCK AT END 1973, THESE EFFORTS INVOLUNTARILY FELL ALMOST ENTIRELY TO GSA. DURING JANUARY-JUNE 1974, GSA SOLD FURTHER 21,800 LT TIN. DEPARTMENT BELIEVES THAT IN ABSENCE GSA TIN SALES BEGINNING JUNE 1973, TIN PRICES WOULD HAVE RISEN SUBSTANTIALLY HIGHER THAN RECORD 4.70 DOLS PLUS IN JUNE 1974, TO IMMEDIATE DETRIMENT TIN CONSUMERS AND LONGER-RANGE DETRIMENT TIN PRODUCERS, WHO WOULD HAVE BEEN FACED WITH EVEN GREATER SUBSTITUTION EFFORTS ON PART CONSUMERS, THAN HAS ALREADY RESULTED FROM 1974 PRICE LEVELS.

4. IN INFORMAL DISCUSSIONS WITH DEPARTMENT BOTH ITC OFFICIALS AND TIN PRODUCER REPRESENTATIVES HAVE ACKNOWLEDGED LIMITED OFFICIAL USE

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ED SALUTARY EFFECTS OF 1973-74 GSA TIN SALES ON LONGER RANGE INTERESTS OF TIN PRODUCERS, AND RESPONSIBLE MANNER IN WHICH GSA SALES HAVE BEEN CONDUCTED. THESE SALES WERE POSSIBLE ONLY BECAUSE GSA HAD SUFFICIENT UNUTILIZED AUTHORITY TO MAKE THEM. NOW, REMAINING AUTHORITY IS DOWN TO 6,612 LT. EXPECTED ECONOMIC RECOVERY IN US AND ELSEWHERE BEGINNING SECOND HALF THIS YEAR LIKELY TO RESULT IN SHARP PICKUP IN TIN DEMAND. RECORD OF TIN PRODUCTION OVER PAST

DECADE CASTS SERIOUS DOUBTS WHETHER TIN PRODUCERS WILL BE ABLE TO MEET THIS DEMAND. WITH ITC BUFFER STOCK VIRTUALLY NON-EXISTANT (OR AT EXTREMELY LOW LEVELS) AND WITHOUT ADDITIONAL GSA DISPOSAL AUTHORITY, WE AGAIN ARE LIKELY TO SEE SOARING TIN PRICES, TO DETRIMENT OF BOTH CONSUMERS AND PRODUCERS.

5. A NUMBER OF RECENT PRODUCER COMMENTS CONCERNING THIS LEGISLATION (E.G., THAT BY MALAYSIAN PRIMARY INDUSTRIES MINISTER, REPORTED REF C) APPEAR TO CONFUSE AUTHORITY TO DISPOSE OF SURPLUS WITH ACTUAL DISPOSAL PROGRAMS. WHILE THE TWO ARE OF NECESSITY RELATED THEY ARE NOT THE SAME. PASSAGE OF DISPOSAL AUTHORITY BILL CURRENTLY BEFORE CONGRESS DOES NOT RPT NOT MEAN GSA WILL IMMEDIATELY PLACE 100,000 LT TIN ON MARKET. AS NOTED ABOVE, GSA HAD CONSIDERABLE DISPOSAL AUTHORITY AT TIME OF LARGE 1973-74 SALES, BUT CONDUCTED ACTUAL DISPOSALS ON BASIS OF LONG-TERM DISPOSAL PROGRAM ARRIVED AT FOLLOWING CONSULTATIONS WITH FOREIGN TIN PRODUCERS.

IN CONCLUSION, DEPARTMENT HAS NOT CONSULTED WITH FOREIGN PRODUCERS ON INTRODUCTION OF US DISPOSAL AUTHORITY LEGISLATION IN PAST, AND FOR OBVIOUS REASONS DOES NOT RPT NOT PLAN TO CHANGE THIS POLICY.

7. DEPARTMENT UNABLE TO PROVIDE ANY ESTIMATE AS TO WHEN CONGRESS MAY PASS TIN DISPOSAL AUTHORITY. HOWEVER, AS NOTED ABOVE, DEPARTMENT BELIEVES EARLY PASSAGE WOULD BE IN INTERESTS OF BOTH CONSUMERS AND PRODUCERS.

8. REF B BEING REPEATED JAKARTA; REF C BEING REPEATED CANBERRA, KINSHASA, LAGOS. KISSINGER

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